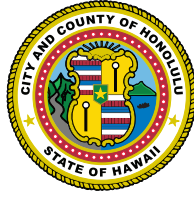


OFFICE OF THE CITY AUDITOR



Leslie I. Tanaka, CPA, City Auditor

POWERS, DUTIES AND FUNCTIONS

The Revised City Charter amendments, approved by the voters in the November 2002 General Election, authorized the City Council to establish the Office of the City Auditor (OCA) as a separate and independent agency to strengthen the auditing function in city government and ensure that the agencies and programs of the City are held to the highest standard of accountability to the public (Sec. 3-501.1, RCH). The charter affords the auditor the independence to initiate work under the auditor's authority and consider requests for work from the council. In addition, and for the purpose of carrying out an audit, the charter empowers the auditor to have full, free and unrestricted access to any city officer or employee and grants authorization to examine and inspect any record of any agency or operation of the City.

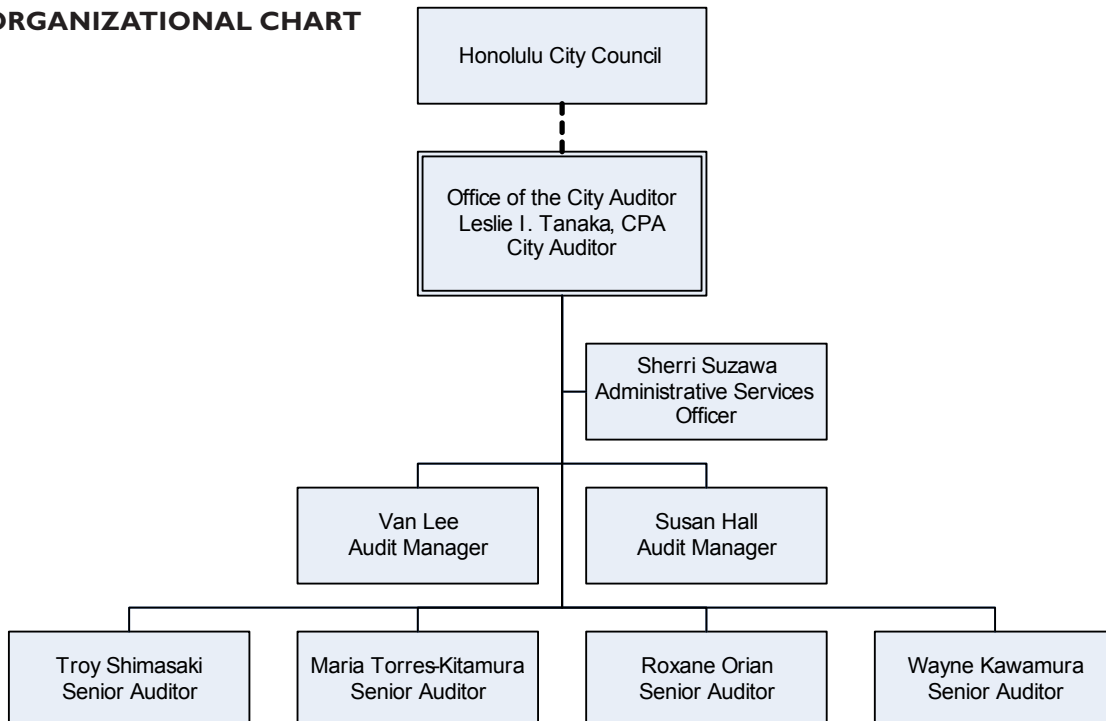
The charter further provides that the City Auditor conduct or cause to be conducted: 1) the annual financial audit of the City, 2) performance audits of the funds, programs and operations of any agency or operation of the City, and 3) follow-up audits and monitoring of compliance with audit recommendations by audited entities. All audits are conducted in accordance with government auditing standards and audit findings and recommendations are set forth in written reports of the City Auditor.

The Office of the City Auditor was created on July 1, 2003, with the appointment of Mr. Leslie Tanaka, CPA, as the City and County of Honolulu's first independent City Auditor.

OCA'S MISSION

The Office of the City Auditor's mission is to promote accountability, fiscal integrity and openness in city government. The Office of the City Auditor will examine the use of public funds, evaluate programs and activities, and provide timely, accurate and objective analyses, options and recommendations to decision makers in order to ensure that the City's resources are being used to effectively and efficiently meet the needs of the public.

OCA ORGANIZATIONAL CHART



YEAR IN REVIEW

The Office of the City Auditor completed three of the four performance audits planned for this year. We are anticipating the completion of the fourth performance audit, **Audit of the Mililani Curbside Recycling Pilot Project**, by October 2008, which will complete our FY2007-08 work plan. In addition, one contract audit was also completed this year.

SUMMARY OF REPORTS TO COUNCIL AND MAYOR

Our office completed three performance audit reports that were included in our FY2007-08 work plan, although two of those reports were not released until after June 30, 2008. The three reports are: 1) *Audit of the City's Planning, Design, and Construction of Skateboard Parks*; 2) *Audit of the City's Electricity Costs, Consumption, and Management*; and 3) *Audit of the City's Synagro Contract*. We also continue to oversee the financial audit of the City, which resulted in no current findings and recommendations for the fiscal year ended June 30, 2007, by Nishihama & Kishida, CPAs, Inc., (now known as N&K CPAs, Inc.) the contract auditor. All of these reports are available to the public on the Office of the City Auditor's web page (www.honolulu.gov/council/auditor).

Financial Audit of the City and County of Honolulu for FY2006-07

Contract auditor, N&K CPAs, Inc. submitted their report on the status of their previous findings and recommendations for the financial audit of the City and County of Honolulu to the City Council in March 2008. They reported that all four of the findings from the FY2005-06 audit have been resolved, while there is still one finding from FY2001-02 and one finding from FY2004-05 that are still applicable in the FY2006-07 audit.



Photo of the Banzai Skateboard bowl.

Audit of the City's Planning, Design and Construction of Skateboard Parks

This audit was conducted pursuant to Resolution 06-373, *Requesting the City Auditor to Audit the City's Planning, Design and Construction of Skateboard Park Facilities*. The report addresses the city council's concerns that the costs for some skateboard facilities planned, designed and constructed during the past 10 years had increased because their design was changed after they had been approved by the park's department. The audit focused on one project, the Banzai skateboard park, which is an example of the design-build process that the city has more recently favored for skateboard parks. We found that the Department of Design and Construction employed the design-build method for the construction of the Banzai Skateboard Park to encourage innovation, but failed to provide sufficient

oversight over the contractor to provide reasonable assurance of the project's timely and cost-effective completion. We also found that the Department of Design and Construction's poor planning of the Banzai Skateboard Park as a stand-alone facility on undeveloped land contributed to project delays, additional costs and the completion of a skateboard park without essential support facilities.

We recommended that the Department of Design and Construction improve internal design-build practices by developing policies and procedures specifically for design-build projects, clarifying roles of all parties within the design-build contract and developing specific RFP and contract guidelines for design-build projects and contractor oversight. We also recommended that they develop criteria for future skateboard park site selection and development, and develop guidelines to improve public and client agency notification of changes to particular projects to keep stakeholders up to date on changes that occur during construction.

Audit of the City's Electricity Costs, Consumption and Management

This audit topic was selected, in part, by concerns raised in Resolution 06-144, *Requesting the Office of the City Auditor to Conduct a Comprehensive Energy Audit of City-Owned Buildings and Facilities*. Although the resolution was not adopted, our office deemed that an audit focused on select management issues related to electricity cost and consumption would be beneficial to the council and Honolulu's taxpayers. We found that the city's electricity expenditures rose significantly despite ongoing conservation efforts. We also found that the city's management of electricity costs and consumption lacks full accountability.

We recommended that the mayor continue efforts to contain electricity cost and reduce consumption, consider consolidating energy management duties under a single entity, and require the Mayor's Energy and Sustainability Task Force to develop an action plan for meeting reduction goals. We recommended that the managing director develop a monitoring strategy to ensure that all city agencies' cost and consumption saving goals are met if general funds are used to implement an electricity conservation program; consider implementing electricity management best practices; and compile and produce a comprehensive annual report that identifies electricity cost and consumption by department, energy conservation projects implemented, comparative data showing estimated actual cost and consumption savings, justification for any significant increase/decrease in consumption for the year, and any steps taken to reduce electricity cost and consumption. We also recommended that budget and fiscal services enforce provisions of its policies and procedures manual related to the purchase of Energy Star-rated products and continue to provide city agencies with guidance in formulating electricity budgets. Finally, we recommended that the Department of Design and Construction enforce all performance contract requirements and ensure that the city collects funds from contractors who do not meet electricity cost and consumption guarantees.



This 400-ton centrifugal chiller for the Fasi Municipal Building, which replaced an older, 325-ton model, provides greater efficiency.



Photo of the Sand Island In-Vessel Bioconversion Facility.

AUDIT OF THE CITY'S SYNAGRO CONTRACT

This audit addresses the ongoing concerns expressed by the city council and the public relating to biosolids reuse, the benefits of the city's contract with Synagro-WWT, Inc. (Synagro) for an In-Vessel Bioconversion Facility, significant project cost overruns, numerous change orders, delays and outstanding compliance issues related to the 1995 consent decree. We found that the in-vessel bioconversion facility project at the Sand Island Wastewater Treatment Plant experienced construction delays and costly change orders. We found that the city's ability to achieve sludge reuse compliance with the consent decree appears close, but potential penalties could cost the city millions more. We also found that the city's in-vessel bioconversion facility is anticipated to have some favorable outcomes, but challenges remain.

We recommended that the Department of Environmental Services finalize a pending change order under the construction contract, ensure that Synagro fulfills its obligations to the city under the construction contract and then expedite closeout of the construction contract. We also recommended that they ensure completion of the beneficial sludge reuse project including final submission of the written Notification of Supplemental Environmental Project Completion to the U.S. Environmental Protection Agency regarding completion of the beneficial sludge reuse supplemental environmental project as required in the 1995 consent decree. We further recommended that they provide the city council with written annual status reports on the city's biosolids facility; ensure that Synagro fulfills its contractual responsibilities for the marketing, sales and reuse of pellets as soil amendment or plant fertilizer to more users; and pursue other initiatives and opportunities to minimize disposal of biosolid pellets in the landfill.

FY2007-08 APPROPRIATIONS AND EXPENDITURES

The Office of the City Auditor was appropriated a total of \$1,171,786 in FY2007-08. Of this total, \$340,000, or 29%, was expended for the City's annual financial audit contract, which OCA oversees for the council. OCA's total appropriated operating budget was \$831,786, of which \$608,586 was expended for staff salaries and \$68,713 was expended for office operations and equipment. Approximately \$170,939 in unspent appropriations was returned back to the City Treasury at the end of the fiscal year. Most of the unspent appropriations resulted from a decrease in the actual amount spent for the hiring of an actuary to review Other Post Employment Benefits obligations of the city.

OCA FY2007-08 APPLICATION OF RESOURCES

